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GAIN Report

Global Agricultural Information Network

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POLICY

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Singapore

Post: Singapore

Excise Taxes Increased on Alcoholic Beverages

Report Categories:

Trade Policy Monitoring

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Report Highlights:

Singapore recently announced that excise taxes on alcoholic beverages will be increased 25 percent.

Demand for these products is somewhat price inelastic in Singapore, so minimal impact is expected on imports. In 2013, the U.S. exported a record \$14.3 million in wine and beer to Singapore, an increase of 9 percent over the previous year.

General Information:

Singapore’s Minister for Finance announced on February 21, 2014, immediate changes in excise taxes on alcoholic beverages and cigarettes. Excise duties on all liquor categories will be increased 25 percent.

The old and new duties are listed in the table below:

Excise Taxes (\$ per liter alcohol*)		
	Old	New
Beer	37.80	47.20
Wine	55.11	69.30
Spirits	55.11	69.30

*Formula for computing tax payable:

$(\text{Quantity in liters}) \times (\text{excise tax}) \times (\% \text{ alcohol content in beverage})$

Experience with similar increases in previous years has demonstrated that demand for these products is fairly inelastic. As such, consumption is not expected to decline as a result of the higher prices.

Excise taxes on cigarettes and other manufactured tobacco products will also increase 10 percent.

In 2013, Singapore imported a total of 29.4 million liters of wines valued at \$527million. Major suppliers were France (71%) Australia (9%) Italy (3%) United Kingdom (3%) and United States (2%). A significant portion of the wine imports were re-exported: about 16.2 million liters valued at \$408 million were shipped onward.

Singapore also imported a total of 143 million liters of beer valued at \$214 million in 2013. In the same year, Singapore imported from the United States 565,000 liters of beer valued at \$668,000.

The changes in excise taxes on alcoholic beverages and tobacco products are estimated to bring in additional revenue of \$150 million per annum. The additional revenue is intended to help pay for benefits to the so-called “pioneer generation,” which refers to individuals born before December 31st 1949.

Singapore has FTAs with a number of countries including, the EU, the United States, China, India and Japan. Excise taxes, unlike import duties, are considered as domestic taxes and are not subject to removal or otherwise discussion in the context of the FTAs.